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SUBJECT: DSCA DIRECTOR LTG KOHLER'S DISCUSSIONS ON TURKISH
DEFENSE PROCUREMENT POLICY

REF: ANKARA 6239

Classified By: Ambassador Eric S. Edelman, reasons 1.4 (b) and (d).

11. (C) Summary: DCHOD Basbug told visiting DSCA Director LTG Jeffrey Kohler on November 18 that the attack helicopter program was one of TGS' most important priorities. SSM Undersecretary Bayar underscored Turkish interest in US participation in the attack tender, which should be issued by year's end, and agreed to work with the USG to craft RFP language that would meet USG technology transfer requirements. TGS J-5 LTG Babaoglu noted Turkish efforts to slightly reduce the price of Sikorsky Seahawks and expressed concerns about the limited time left in the EXIM facility for the purchase. On the US request to establish a cargo hub at Incirlik Air Base, Basbug suggested that the two sides should meet to discuss this and other recent USG requests which the Turkish government viewed as part of a package. At TGS, MND and SSM, General Kohler heard complaints that the US was not living up to its obligations to provide assistance under the DECA and was presented with suggestions to remedy that situation through technology transfer and/or use of Turkish facilities for maintenance and repair of USG vehicles operating in Iraq. LTG Kohler took exception to claims of US non-assistance to Turkish industry in recent years and emphasized the responsibility of Turkish industry to prove its capabilities and competitiveness. He pointed to the Defense Industrial Cooperation (DIC) meeting in January as the appropriate venue for Turkish industry to showcase its abilities and stressed the importance of Turkish industrial participation. End Summary.

JOINT STRIKE FIGHTER PROGRAM

12. (C) Defense Security Cooperation Agency (DSCA) Director Lieutenant General Jeffrey Kohler discussed the US/Turkish defense industrial relationship and broader bilateral cooperation under the 1980 Defense and Economic Cooperation Agreement (DECA) on November 18 with Turkish Deputy Chief of the General Staff (DCHOD) Ilker Basbug, Turkish General Staff (TGS) Plans and Policies Chief LTG Aydogan Babaoglu, Ministry of National Defense (MND) Deputy U/S for Economic and Technical Matters MG Omer Inak and Turkish defense procurement agency (Savunma Sanayii Mustesarligi - SSM) Undersecretary Murad Bayar. General Kohler, accompanied by Office of Defense Cooperation (ODC) Chief General Sutton and Defense Attache Roman Hrycaj, and joined by the Ambassador at TGS and SSM, underscored in each meeting the continued US government and business interest in partnering with Turkey, but added that it was the responsibility of Turkish companies to demonstrate their ability to deliver quality products at the right price and on time. He noted the Joint Strike Fighter (JSF) program and said that US industry research and development expenditures far exceed those of other countries and the US is proceeding rapidly in the development of new technologies and applications that would facilitate the US Armed Forces transformation already underway. Turkish companies would need to reach out to US firms to demonstrate their ability to sell comparable quality products. MND's General Inak lamented that Turkish technology was not developed enough to compete and said Turkey would need assistance to pursue technological advancements. In his view, Turkey's level of participation in the JSF program was disappointing. General Kohler pointed out that Turkey had been given the opportunity to compete for almost USD 500 million worth of projects but had only submitted bids for a small portion of this. He also noted that Turkey had only invested USD 38 million of the USD 175 million it had committed. SSM U/S Bayar acknowledged that many Turkish companies were too small and under-developed to compete for JSF projects but noted his support for Turkish participation in projects like JSF, where it could get in on the ground floor. Given the small size and limited development of many Turkish companies, he requested USG efforts to steer business to Turkey. In his view, it would be better to be an Acquisitions, Technology and Logistics (AT&L) partner and participate in production than to be a DSCA customer and buy off-the-shelf equipment. Bayar did, however, inquire about the availability of FMF-type financing for JSF purchases, and noted the likelihood that Turkey would require some financial assistance for its prospective purchase of 100 planes.

13. (C) During General Kohler's meetings at TGS, DCHOD Basbug listed the Joint Strike Fighter as a TGS priority, after attack helicopters, tank modernization, UAVs and naval helicopters. General Kohler told Basbug he had recently visited Lockheed Martin's JSF facility and that it was a fantastic program incorporating innovative cost-saving measures in the building of an extremely capable aircraft. The US wants Turkey to be an active partner in the program. Basbug said TGS would like to develop an international JSF training and/or logistics support hub in Turkey. General Kohler responded that that was an interesting idea. Later, Babaoglu also raised the F-16 upgrade, commenting that the price was still "too high," and that Turkey might have to "cancel some requirements" in order to bring it down. General Kohler noted that Turkish and American officials were discussing this program that day in Dayton, Ohio at the F-16 Program Office. He also noted that the best way to contain cost increases would be to lock in the requirements and price as soon as possible.

CARGO HUB

14. (C) Picking up on Basbug's mention of a "hub," General Kohler inquired about our proposal to establish an OEF/OIF logistics hub at Incirlik Air Base. Basbug reported that this was awaiting a decision by ministers whom he believed had bundled all our requests for Incirlik (logistics hub, weapons training deployments, permanent basing of F-16s) together and were struggling with how to respond. He said he believed the US and Turkey needed to discuss these proposals. The Ambassador responded that we were ready to do that at any time. General Kohler noted in several meetings the current USG review of multiple "future force" basing options and underscored his hope that Turkey would not miss the train by failing to act on possible cooperation opportunities (e.g. cargo hub, Weapons Training Deployment, etc.)

ATTACK HELICOPTERS

15. (C) Basbug called the ATAK attack helicopter program one of the most important priorities for Turkish armed forces. Despite the cancellation of the previous tender, the requirement remained valid and the military was pushing SSM to move forward. At SSM, U/S Bayar said Turkey had every intention of seeing US firms compete in the new tender that was expected to be issued before the end of the year. Turkey wanted to create a level playing field in order to ensure sound bids from American, European and other firms. To avoid a repeat of the problems that resulted in cancellation of the original attack helicopter tender earlier in the year (Note: the requirement for 100 pct of mission computer source code. End Note.), Turkey was trying to formulate wording for the new Request for Proposal (RFP) that would meet USG technology transfer requirements. Turkey wanted to hold the "key" to the system and would create proprietary systems technology of its own. In the RFP, it would be looking for a platform onto which it could place its system, just as it had placed proprietary components onto the F-4 and F-16 planes previously purchased. Bayar welcomed an offer from ODC to meet informally at the project officer level to craft wording to address interoperability issues and Turkish add-on requirements before the RFP is issued.

TANK MODERNIZATION

16. (C) For Basbug, the tank modernization program was next in priority. Turkey was seeking to acquire a tank that was more than third generation now, and could be upgraded to fourth-generation technology later. General Kohler offered to organize a US Army briefing for TGS on future combat systems that could help inform the Turks as they continue their own feasibility study of developing an indigenous main battle tank. With the US investing \$45-48 billion in defense R&D and the rest of the world totaling something like \$10 billion, whatever the US does will determine tomorrow's technologies. Later to Babaoglu, General Kohler noted that the US no longer produced tanks, but that Egypt had an active M1A1 production line, that might provide an opportunity for Turkey-Egyptian cooperation.

UAVS AND NAVAL HELICOPTERS

17. (C) UAVs were next on Basbug's list of priorities, followed by naval helicopters. Referring to on-going negotiations between SSM and Sikorsky about Turkey's acquiring more Seahawk helicopters, Basbug said the

sticking points were price and financing. Babaoglu returned to this issue in a follow-on session, explaining that SSM was working to "reduce the price a little bit," and that the time limitations in the EXIM Bank facility for the Seahawk buy would cause problems with the Turkish Treasury. General Sutton observed that as a direct commercial sale, there was nothing the USG could do about the price. The Ambassador recalled the serious difficulties encountered during the previous extension of the EXIM facility, suggesting any further extension might not be possible. With regard to all procurements, General Kohler observed that while politics might argue in favor of buying from diverse suppliers, mixing similar systems from different suppliers (e.g. Sikorsky and European naval helicopters) increased the maintenance complexity and cost for the military. Babaoglu noted that TGS makes this point to SSM, but the results of various competitions was "out of our hands."

TURKISH DEFENSE INDUSTRY RESTRUCTURING

18. (U) U/S Bayar said the initial set-up of Turkish government/industry joint ventures such as Turkish Aerospace Industry (TAI) had been short-sighted, relying on government contracts to keep them afloat, and never actively pursuing business on their own. General Kohler noted that when he asked TAI several years ago about its future business plans, company management was confident the Turkish government would take care of it. This was in sharp contrast to his recent visit to Korean Aerospace Industries (KAI), where a production line transitioned from producing F-16s to making niche parts for commercial jets. In Bayar's view, with no business prospects beyond F-16 production, TAI did not have a bright future. This was in contrast to TUSAS Engine Industries (TEI), which had been able to establish a long-term relationship with its US partner, General Electric. As a result, some joint ventures would be restructured to meet the current business environment. As he had announced at the September Defense Industry Conference jointly sponsored with the American-Turkish Council (see reftel), Bayar said that with the restructuring, Turkey expected to develop a more balanced partnership with foreign firms. Specifically Bayar said Turkey wanted to participate in the development of equipment, including software and computer systems. Regarding current projects, he expressed an interest in the amount of co-production to be included in the F-16 upgrade package that would be signed this year. Both at SSM and MND, General Kohler underscored that the DIC meeting scheduled for January in Washington would be a good forum for Turkish firms to demonstrate their capabilities and prove their competitiveness. On this score, Turkish meetings with OSD/AT&L representatives would be critical. General Kohler welcomed the opportunity to meet again with Bayar and Inak in Washington and offered to arrange visits for Turkish government and business officials to see US defense industries firsthand.

TECHNOLOGY TRANSFER/DECA OBLIGATIONS

19. (C) At MND, General Inak stated that, since signing the DECA in 1980, the US had not fulfilled its obligations under the agreement to provide defense economic support to Turkey with one exception - the joint F-16 production program started in the mid-1990s. Inak suggested the US could do so by assisting Turkey to increase its technological capabilities in order to better compete in the international defense market. He believed that Turkey suffered from US unwillingness to share technology, in contrast to the technological assistance he said the US had provided to other countries, such as Italy, Germany, France, Spain, the United Kingdom, Belgium, Korea and Indonesia. However, when pressed by General Kohler for specific examples, General Inak provided none. He went on to complain that Turkey was always on the side of the US but the US did not always reciprocate, and opined that the bilateral relationship was suffering. Turkey carried many burdens as a NATO member and US Ally and, as a result, had gained new enemies and lost trade with neighboring countries. He admonished that, unless cooperation increased, the two countries would grow more distant and military sales would be further reduced.

110. (U) In contrast, U/S Bayar at SSM said that Turkey should be less demanding with respect to technology transfer. He said he had come to the view that requesting extensive technology transfer was unproductive and that Turkey should internally attempt to build upon its current technology base. Bayar and General Kohler concurred that TAI and other Turkish joint ventures were very capable but would require a huge influx of capital in order to substantially increase their technological base across a wide spectrum. For that reason, Bayar said Turkish industry should specialize in certain components, such as wing technology, rather than attempt to build an entire airplane.

11. (C) General Babaoglu, at TGS, also registered dissatisfaction with the USG's assistance to the Turkish military as required by the DECA. According to Babaoglu, Foreign Military Finance assistance had dropped considerably from the early 1980s, and Turkey now had an FMF debt of \$4 billion plus the burden of high interest rates. Moreover, although the DECA states that the US's use of bases in Turkey is to be within a NATO context, Turkey has tried to accommodate our use outside of NATO, such as in support of operations in Iraq. Regarding the use of Incirlik Air Base for training, Babaoglu stated that anything allowable under the DECA would be easy, but anything outside the terms of that agreement would require a decision by ministers.

12. (C) Babaoglu noted that Turkey has many good repair and maintenance facilities available to support US units and equipment in the region, such as providing depot-level maintenance for F-16s, AH-1s, UH-1s or armored vehicles. The US military's availing themselves of services here would serve to increase our industrial cooperation, he added. At SSM, U/S Bayar also suggested that Turkey might be able to support US efforts in Iraq through the maintenance and repair of equipment and ammunition sales. Acknowledging that such a partnership could potentially save US transport costs, General Kohler agreed to pursue the issue further in Washington. ODC Security Cooperation Directorate Chief suggested that an upcoming MKEK (Turkey's Machinery and Chemical Industry Corporation) meeting with Picatinny Arsenal officials in New Jersey might provide an opportunity to further such talks. (Note: MKEK has the ability to produce any caliber round for the US and would like the opportunity to fill the munitions shortfall projected by the US Army for 2005. End note.)

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